

FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF MARKETS, TARIFFS AND RATES
WASHINGTON, DC 20426

May 23, 2002

Energy Intelligence Group, Inc.
Suite 500
1401 New York Ave., N.W.
Washington, DC 20005-2150

Attn: Scott C. Speaker
Editor

Re: Fact-Finding Investigation of Potential Manipulation of Electric
and Natural Gas Prices (FERC Docket No. PA02-2-000)

Dear Mr. Speaker:

Pursuant to an order issued February 13, 2002,¹ the Staff of the Federal Energy Regulatory Commission (FERC) is conducting a fact-finding investigation on whether any entity manipulated short-term prices for electric energy or natural gas in the Western United States, or otherwise exercised undue influence over wholesale electric prices in the West, since January 1, 2000, resulting in potentially unjust and unreasonable rates in long-term power sales contracts subsequently entered into by sellers in the West. This investigation is designated as FERC Docket No. PA02-2-000.

As part of this investigation, Staff must determine how natural gas price information that is available to the public is collected and reported. In order to complete our research, we request your cooperation in answering the following questions:

Please provide the following information:

1. Provide a detailed description of the process for gathering and posting natural gas price indices (which are applicable to western markets) used by Energy Intelligence Group's *Natural Gas Week*. Include all procedures used to verify the accuracy of the data and to calculate the index prices. Include a separate in depth description of how the following indices were calculated:

¹Order Directing Staff Investigation, 98 FERC ¶ 61,165 (2002).

- a. Prices and Differentials for Major Hubs and Selected CityGates (Malin, Los Angeles City Gate, Topock and western basin prices);
 - b. Cash Market Hub Trading;
 - c. Spot Prices on Interstate Pipeline Systems (include prices on El Paso and PGT);
 - d. Gas Price Trends (Northern and Southern California)
2. Describe the history of posted price information for Northern and Southern California in *Natural Gas Week*.
 - a. When did the *Natural Gas Week* publication begin posting separate prices for Northern and Southern California and explain if there was a significant event, or set of events, that contributed to the price differential?
 - b. Describe the typical contribution of each of the various delivery points (Topock, Blythe, Needles, Ehrenburg and Daggett) that is used to derive the price indices for Southern California. Discuss the relationship of the prices at these delivery points (i.e. correlation and relative volatility).
3. Explain why the prices posted at the Southern California border are not reported separately for PG&E and SoCal.
3. To what extent did Energy Intelligence Group use prices posted on Enron Online in developing the prices it posted?
4. To what extent have market participants indicated that they use Enron Online as a price discovery mechanism for natural gas prices?

Please provide your written response no later than June 4. A copy of this information request will be placed on the Commission's web page for Docket No. PA02-2-000 (<http://www.ferc.gov/electric/bulkpower/pa02-2/pa02-2.htm>). As explained in the notice issued on February 26, 2002 in this proceeding, you may request confidential treatment of any of your responses to this information request in accordance with the Commission's regulations (*see* 18 C.F.R. § 388.112 (2001)). If you need any assistance

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with respect to this information request, please contact David Hunger of the Commission Staff at 202/208-0148.

Very truly yours,

Donald J. Gelinas
Associate Director
Office of Markets, Tariffs and Rates